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INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(7 November - 13 November 1966)

C O N T E N T S

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POLITICAL SITUATION

I

REVOLUTIONARY DEVELOPMENT

II

Psychological operations; Progress in the Revolutionary Development program (tables); Viet Cong defectors (Chieu Hoi).

ECONOMIC SITUATION

III

Prices; Currency and gold; Rice; GVN budget developments; US employment in South Vietnam; Rubber production and exports.

ANNEX: South Vietnam Economic Indicators:
-Weekly Retail Prices in Saigon (table)
-Rice Deliveries from Delta to Saigon (graph)

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I. POLITICAL SITUATION

With the departure of two southern dissident ministers from the cabinet, the crisis in that body appears to be resolved, but other southern elements will continue to be worried about the concentration of governmental power in the hands of a few northerners.

The Constituent Assembly voted unanimously on 9 November to seek an amendment to Decree Law 21--which prescribes constitutional development--and also established an "amendment committee." The committee is charged with meeting with the government to iron out differences, especially over Article 20 which gives the government veto power over assembly actions. The Greater Peoples Bloc--a grouping of northerners, Catholics and Dai Viet Party members--appears to be emerging as the strongest political grouping in the Constituent Assembly. This bloc now holds chairmanships of four committees within the assembly, including the key constitution drafting committee.

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Cabinet Crisis Resolved

1. On 11 November, Premier Ky announced to the 79-member government advisory body, the Peoples Army Council, that the resignations of Youth Minister Trieu and Education Minister Truong had been accepted, but only after he had made a determined effort to have them stay on. No replacements for these men were named by Ky. The resignation of Economy Minister Thanh had been accepted previously. In view of this announcement, it appears that the four other dissidents within the cabinet, including Deputy Premier Vien will probably remain.
2. The departure of Trieu and Truong should temporarily stabilize the cabinet situation and remove it as the focal point of north-south regional antagonisms. This solution may not, however, be sufficient to satisfy those southern political elements which continue to be concerned about the concentration of real government power in the hands of a few northerners.

Constituent Assembly Developments

3. On 8 November, the Constituent Assembly conducted a formal discussion on the controversial Article 20 of the decree-law establishing the assembly. On the following day, the assembly voted unanimously to seek an amendment to the government's Decree-Law 21, and voted by a majority to impose a one month time limit on achieving substantial change in the law. A 12-man "amendment committee" was appointed by the assembly on 10 November to carry out its resolution of the previous day. The committee is composed of two members from each of the five legitimate blocs, plus two of the assembly officers. There was no further debate or discussion of the decree law issue following the appointment of this committee.
4. Following the appointment of the amendment committee, the deputies discussed for the first time the basic characteristics of the constitution. However, the chairman of the constitution-drafting committee requested two more weeks to prepare adequately, and further discussion was postponed. An agenda for assembly activities during the coming two weeks will probably be worked out in the next few days.

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5. Regarding the decree law, the US Embassy has commented that the assembly is unlikely to be happy with anything less than at least partial modification of Article 20, the government's veto, and Article 21, which limits the assembly to drafting a constitution. Government leaders, on the other hand, oppose any significant change in the decree law, especially the veto provision. There may be some flexibility in the assembly's position, since the embassy also reports that a majority of the delegates still appear to recognize the need to avoid a head-on clash with the government.

6. The Greater Peoples Bloc has emerged as the potentially strongest political grouping within the Constituent Assembly thus far. It presently holds the chairmanships of four committees within the assembly, including the key constitution drafting committee. The Greater Peoples Bloc--which is composed of northerners, Catholics, and Dai Viet Party members--may, according to one member of the bloc, soon replace some of its leaders so as to give a more representative balance to Catholics and other elements within the bloc. One of the main reasons for the change, according to the same source, will be to make the bloc more attractive to other assembly delegates with the hope of gaining more members.

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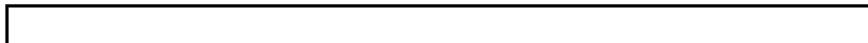
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resolve the split in the leadership of the Buddhist Institute. Two separate Institute chairmen, moderate Tam Chau and militant Thien Hoa, continue to function independently of one another. Tam Chau has recently taken steps to consolidate his position by naming four new commissioners and by appointing a delegation to accompany him to the eighth World Buddhist Fellowship convention in Bangkok from 6-11 November. Prior to his departure, Chau accompanied a visiting Japanese Buddhist leader in a call upon Premier Ky, and issued a press statement praising Ky as a supporter of the Buddhist faith in Vietnam.

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II. REVOLUTIONARY DEVELOPMENT

In conjunction with the forthcoming national reconciliation effort, the government is planning to initiate a massive psychological operations program designed largely to encourage defections among the middle level Viet Cong cadre. During the month of September, 35 hamlets were secured by the government, only eight of these were in the National Priority Areas. During the week of 3-9 November, a total of 566 Viet Cong defectors returned to government control, 339 of whom were military returnees.

Psychological Operations

1. The GVN is planning to undertake a massive psychological warfare operation which will be part of the forthcoming national reconciliation effort. The psychological operations part of the program will last for about three months, commencing in early January 1967 (about one month before the lunar new year holiday of Tet). According to Nguyen Bao Tri, Minister of Information and Chieu Hoi, one of the prime objectives will be to encourage defections among the middle-level Viet Cong cadre, which he considers to be the "backbone" of the Communists.

2. Although the campaign is still being planned, it appears that an all out effort is to be made. A large number of personnel is being requested in order to support the Chieu Hoi effort in the field, while at the top echelon, qualified personnel are being sought to administer the program. For propaganda purposes, previous defectors from the Viet Cong will be used in the program.

3. A formal proclamation on the national reconciliation program is planned in early December. Both Chief of State Thieu and Premier Ky have urged the members of the Armed Forces Council to get fully behind the upcoming program.

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Progress in the Revolutionary Development Program

4. Nationwide, according to the latest statistical data, progress in securing hamlets has been uneven. Within the National Priority Areas (NPA), for example, only seven hamlets, all in the III Corps Zone were added to the secured list during September. During August, a net total of 28 hamlets were secured in the NPA's. In areas other than the NPA's there was a net gain of 28 secured hamlets during September; only the II Corps Zone registered a net loss in secured hamlets. This was largely a result of administrative readjustments. (See tables following for a breakdown of Corps progress through September)

5. Status of secured hamlets and population in National Priority Areas as of 30 September 1966:

HAMLETSPOPULATION (THOUSANDS)

	Accom- plished Sep	CY66	Goals ⁽¹⁾ CY66	Aggregate Secured	Planned ⁽¹⁾ Total	Accom- plished Sep	CY66	Goals ⁽¹⁾ CY66	Aggregate Secured
I Corps	0	5	29	36	92	0.0	66.6 ⁽²⁾	36.3	226.6
II Corps	0	29	56	29	56	0.0	42.2	73.3	42.2
III Corps	7	7	301	504	831	6.3	62.2	420.4	2672.2
IV Corps	<u>0</u>	<u>0</u>	<u>0</u> ⁽³⁾	<u>254</u>	<u>254</u>	<u>0.0</u>	<u>0.0</u>	<u>4.0</u>	<u>467.1</u>
NPA TOTAL	7	41	386	823	1233	6.3	171.0	534.0	3408.1

NOTE: (1) Province goals are determined by GVN and are subject to change continuously. Except in IV Corps, GVN goals were not established for NPA. NPA goals reported are US estimates and are determined from province goals. Figures in other columns are US statistics and reflect net status after losses are deducted.

(2) Includes 62.7 population increase in Da Nang city and 3.9 population increase as a result of the five secured hamlets.

(3) The August report reflected IV Corps NPA goals as 91 hamlets and 137.3 population. These goals were planning figures used for budgeting

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purposes, since GVN RD funds are not allocated for secured hamlets and additional funds were required by An Giang Province to strengthen governmental control and improve the people's living conditions. Therefore, in this report, these hamlets with a population of 133.3 are dropped from the CY 66 goals and will continue to be carried as hamlets and population secured in CY 1965.

6. Status of secured hamlets and population in other than National Priority Areas as of 30 September 1966 (Cont'd):

	<u>HAMLETS</u>				<u>POPULATION (THOUSANDS)</u>			
	Accom- plished Sep CY66	Goals ⁽¹⁾ CY66	Aggregate Secured	Planned ⁽¹⁾ Total	Accom- plished Sep CY66	Goals ⁽¹⁾ CY66	Aggregate Secured	
I Corps	12 -18 ⁽²⁾	220	427	2308	7.3 -70.2 ⁽²⁾	234.1	707.7	
II Corps	-14 ⁽³⁾ -18 ⁽³⁾	460	855	2819	-24.8 16.7 ⁽⁴⁾	409.2	1036.8	
III Corps	8 90	183	382	918	22.8 149.4	160.3	549.3	
IV Corps	22 138	581	1703	4173	41.0 360.3	559.9	2649.4	
Other than NPA Total	28 192	1444	3367	10218	46.3 456.2	1363.5	4943.2	

NOTE: (1) See Note 1 Table 1, above.

(2) The I Corps loss in hamlets and population was due to revaluation of 67 hamlets in Quang Nam Province. These hamlets were downgraded from secure for failure to meet the six point criteria.

(3) Reevaluation of hamlet status resulted in the downgrading of 137 hamlets from a secured to a lower category. Of these reevaluation losses, 110 hamlets in Darlac and Tuyen Duc provinces were applied against total CY 66 progress. The remaining 27 hamlets in Cam Ranh city were reflected in September progress figures as well as the total CY 66 progress.

7. Status of secured hamlets and population Country-wide as of 30 September 1966 (Cont'd):

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HAMLETSPOPULATION (THOUSANDS)

Accom- plished		Goals	Aggregate Secured	Planned Total	Accom- plished		Goals	Aggregate Secured	Total Pop (Estimated)
Sep	CY66	CY66			Sep	CY66	CY66		
35	233	1830	4190	11,451	52.6	627.2	1897.5	8351.3	15,061.3

NOTE: Province goals are determined by GVN and are subject to change continuously. Figures in other columns are US statistics and reflect net status after losses are deducted. Differences between August and September reports resulted from reevaluation of 31 December 1965 statistical data base plus September gains of 35 hamlets and 52.6 population. Also, previous reports contained totals for an entire province, when in some cases only parts of a province fell within an NPA. A majority of the adjustments in NPA or non-NPA were internal and did not affect country wide totals.

Viet Cong Defectors (Chieu Hoi)

8. During the week of 3-9 November, a total of 566 Viet Cong were reported to have returned to government control. This is the highest figure since early in September. A total of 339 were military returnees, mostly, according to the latest report, guerrillas and Viet Cong village self-defense forces. A total of 15,787 defectos have been counted thus far this year--some 5,663 more than in all of 1965.

Correction Notice

9. The last sentence of paragraph 10, Page II-4, The Situation in South Vietnam, dated 7 November should be corrected to read, "Less than 20 percent of the refugees have so far returned home."

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III. ECONOMIC SITUATION

The recent rise in Saigon retail prices was halted during the week ending 7 November; the USAID retail price index showed a decline of two percent because of lower prices for some food items. Pork and rice prices, however, continued to rise. Prices of imported commodities, which have been increasing recently, were generally unchanged during the week ending 8 November. Free market gold and currency rates, however, continue to edge up moderately.

For the second consecutive month deliveries of rice from the delta to Saigon amounted to less than 15,000 metric tons. On 3 November the Ministry of Economy announced an increase of 200 piasters per 100 kilograms in the wholesale price of imported rice.

Although the recently completed GVN budget for calendar year 1967 reportedly has been set at 100 billion piasters, Premier Ky has informed US officials that he is considering a budget of 75 to 80 billion piasters, which would be more in line with US estimates. At the end of July 1966, US civilian and military agencies and contractors in South Vietnam had a total labor force of about 121,000, more than four-fifths of which were Vietnamese. According to official GVN data, production of rubber during the first seven months of 1966 was 25 percent below the level produced during the corresponding period of 1965, and exports of rubber declined 45 percent.

Prices

1. The recent rise in Saigon retail prices was halted in the week ending 7 November; the USAID retail price index showed a decline of two percent. Nevertheless, Saigon retail prices still are roughly 30 percent above the level prevailing just prior to the June devaluation.

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The slight decline in prices during the week ending 7 November stemmed entirely from lower food prices; the nonfood index was unchanged. Lower food prices resulted primarily from decreases in the prices of fish, chicken, and shrimp which more than offset the continuing rise in the prices of pork and rice. The price of pork, which had risen 53 percent during the week ending 31 October, rose another 30 percent reportedly because military operations in Dinh Tuong Province temporarily interrupted shipments of hogs from the delta to Saigon. Rice prices again reached new 1966 highs, apparently because of the newly announced increase in the wholesale sale price of imported rice (see paragraph 5). (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of imported commodities, which had risen steadily during the previous three weeks, were generally unchanged during the week ending 8 November. The USAID price index for selected US-financed imports showed a gain of less than one percent. Ample stocks of condensed milk, flour, and sugar kept the prices of these commodities stable or slightly lower. Prices of most other imported goods rose only slightly. Remaining credit restrictions evidently limited the extent to which importers could hold goods in anticipation of future shortages and higher prices.

Currency and Gold

3. Free market gold and currency rates, which have risen moderately during the past two weeks, continued to edge up. By 7 November the price of dollars was 175 piasters per dollar, or 4 piasters above the rate on 31 October. Gold rose 3 piasters to 249 piasters per dollar--the highest rate since mid-September. MPC (scrip), however, continues to hold fairly steady at 115 piasters per dollar, or 3 piasters below the official rate. Evidently, the free money market has not been fully calmed by the appointment of Ton as acting Minister of Economy and his announcements that present economic policies would be continued and that there would be no further devaluation.

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Rice

4. For the second consecutive month deliveries of rice from the delta to Saigon amounted to less than 15,000 metric tons. Deliveries during October totaled 14,952 metric tons or only 150 metric tons above the September low of 14,801 and 58 percent below the 1961-65 average for October. (A graphic on rice deliveries is included in the Annex.)

5. Sales of US rice have risen slightly, but retailers apparently are having difficulty obtaining delivery and are marking up the price considerably. On 3 November the Ministry of Economy announced an increase of 200 piasters per 100 kilograms in the whole-sale price of imported rice. As a result, this rice now sells for 1,100 piasters per 100 kilograms in Saigon and 1,200 piasters per 100 kilograms in central Vietnam. The legal retail price in Saigon has been raised from 9.5 to 11.9 piasters per kilogram, and in central Vietnam legal markups vary according to province. For the moment the Saigon price is yielding a profit for the Ministry of Economy since the landed cost of rice in stock purchased at the old exchange rate was somewhat less than the new sale price. Two ships carrying rice purchased at the 118-piaster exchange rate have now arrived, however, and the ministry will soon be subsidizing sales of imported rice at the rate of 1,000 to 1,100 piasters per 100 kilograms.

GVN Budget Developments

6. The GVN has just completed its annual budget for calendar year 1967 and has submitted it to Premier Ky for approval. This budget reportedly was set at 100 billion piasters, excluding the USAID chapter. Premier Ky, however, has informed US officials that he was considering a budget of 75 to 80 billion piasters, which would be more in line with US estimates. This compares with an original 1966 budget of 55 billion piasters which became 65 billion piasters after adjustments for the June 1966 devaluation.

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US Employment in South Vietnam

7. At the end of July 1966, US civilian and military agencies and contractors had a total labor force of roughly 121,000 in South Vietnam. Of this total, 85 percent were Vietnamese; eight percent, third country nationals; and seven percent, Americans. US military agencies and US contractors to the military accounted for the largest portion of this labor force. Only about four percent of the total were employed by US civilian agencies and contractors. According to incomplete data, the gross wage bill for Vietnamese alone amounted to 611 million piasters during the month of July.

Rubber Production and Exports

8. According to official GVN data, production of rubber during January-July 1966 amounted to 21,500 metric tons, or about 25 percent below the level produced during the corresponding period of 1965 and 33 percent below the January-July average during 1961-64. Exports have also fallen sharply. According to preliminary data, exports of rubber during the first seven months of 1966 amounted to only 20,200 metric tons compared with about 37,000 metric tons during the corresponding periods of both 1964 and 1965. This 45-percent decline in exports results not only from lower production but also from difficulties in transporting the rubber to Saigon from the plantations.

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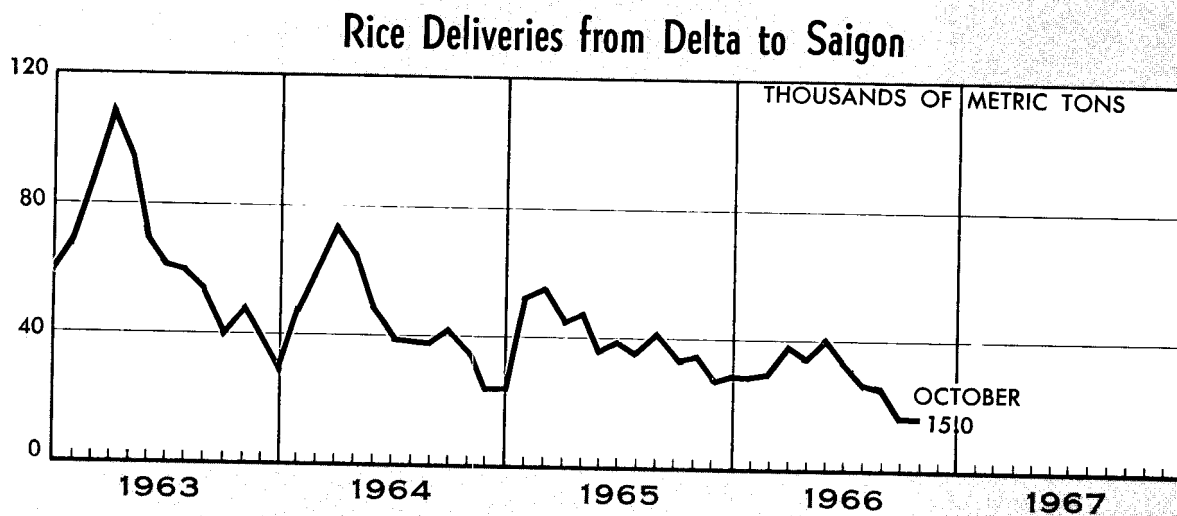
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ANNEX

WEEKLY RETAIL PRICES IN SAIGON a/

	3 Jan 1966	17 Oct 1966	24 Oct 1966	31 Oct 1966	7 Nov 1966
Index for All Items <u>b/</u>	<u>160</u>	<u>197</u>	<u>207</u>	<u>225</u>	<u>222</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>198</u>	<u>211</u>	<u>231</u>	<u>226</u> <u>c/</u>
Of which: (In piasters)					
Rice/Soc Nau (100 kg.)	800	1,450	1,500	1,550	1,600
Pork Bellies (1 kg.)	70	70	85	130	170
Fish/Ca Tre (1 kg.)	110	130	140	150	130
Nuoc Mam (jar)	50	85	85	85	85
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>193</u>	<u>196</u>	<u>203</u>	<u>202</u> <u>c/</u>
Of which: (In piasters)					
Charcoal (60 kg.)	440	610	630	650	650
Cigarettes (pack)	10	14	14	14	14
White Calico (meter)	27	32	33	37	36
Laundry Soap (1 kg.)	30	40	40	45	45

a/ Data are from USAID sourcesb/ For all indexes, 1 January 1965 = 100c/ Preliminary**SECRET**



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